Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the Pay Telephone	)	CC Docket No. 96-128
Reclassification and Compensation	)	
Provisions of the Telecommunications	)	
Act of 1996	)	
Policies and Rules Concerning Operator	)	
Services Access and Pay Telephone	)	CC Docket No. 91-35
Compensation	)	

AT&T OPPOSITION TO AND COMMENTS ON
<u>PETITIONS FOR RECONSIDERATION AND CLARIFICATION</u>

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October 28, 1996

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Summary

The petitions demonstrate that many aspects of the Order must be reconsidered and revised in order to conform the Order's rules on payphone compensation with Section 276's requirement that such compensation be "fair." First, contrary to the specific terms of the statute and the Order's own analysis, the interim compensation rules inexplicably and unlawfully exclude LECs and smaller IXCs from participating in the interim payment system. Thus, the interim payment rules must be reconsidered and revised to include all carriers. More fundamentally, however, the Order's rules on the amount of payphone compensation must be reconsidered because they are based on palpably false premises, result in an unjustifiable windfall for PSPs, and impose radically exorbitant costs on carriers and consumers.

Specifically, the Commission must reconsider and reject the Order's conclusion that "market-based" rates for local coin calls are a suitable surrogate for per-call compensation. Contrary to the Order's assumption, it is undisputed that there is no current "market" for local coin calls, and such calls are an excessive measure of compensation for PSPs. Moreover, implementation of the Order's permanent compensation rules will subject both carriers and consumers to substantial abuses. Accordingly, the only method for calculating per-call compensation that is "fair" to all concerned parties -- PSPs, carriers and consumers alike -- is the TSLRIC-based approach which the Commission recently held best replicates the conditions of a competitive market.

To the extent that the Commission eschews a TSLRIC-based compensation structure, it must grant the petitions which request reconsideration of the payment mechanism for payphone compensation. The "carrier pays" method required by the rules would be

appropriate in a TSLRIC cost-based system, but it is not suitable in a "market-based" system, because it hides from consumers critical information that is necessary to enable them to exercise any market discipline over the situational monopolies of PSPs and location owners. Thus, if the Commission does not adopt a TSLRIC-based compensation system, it must either move to a "coin in the box" collection mechanism or establish a payphone usage charge for which carriers act as intermediaries in collecting compensation on behalf of PSPs. In all events, there is no basis to require "facilities-based" carriers to pay payphone compensation on behalf of resellers.

AT&T strongly opposes the RBOC requests for early participation in the interim payphone compensation bonanza. Indeed, the RBOCs' eagerness to participate in the process is the clearest sign that the Order's rules are out of balance. In all events, the transitional schedule in the rules is reasonable and necessary given the many industry changes that must occur between now and next spring. AT&T also opposes BellSouth's requests for clarification regarding "branding," because they are likely to create significant customer confusion. In contrast, AT&T supports the request of the RBOCs and others for clarification that PSPs must transmit appropriate information digits in order to be eligible for compensation. Such information is not only critical to the tracking of compensation obligations, it is also necessary for carriers to prevent fraud.

AT&T also supports APCC's request for reconsideration of the Order's conclusion regarding the routing of 0- intraLATA traffic. Although states clearly have the right to assure that emergency calls are properly handled, that concern is adequately resolved by establishing reasonable certification requirements for those who wish to offer operator services. There is no need to require that all 0- calls, whether emergency or not, be screened by LEC operators. AT&T also supports NJPA's request that the Commission clarify that Section 276 forbids discrimination by LECs with respect to coin rating capabilities, answer supervision services, network-based call tracking capabilities and installation and maintenance services. AT&T opposes, however, APCC's request that IXCs should be required to play recorded announcements for the benefit of PSPs. PSPs can take care of any of the situations referenced by APCC by placing appropriate signage at their phones. Finally, AT&T comments on some of the access charge implications regarding the LECs' removal of payphone costs.

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AT&T OPPOSITION TO AND COMMENTS ON
PETITIONS FOR RECONSIDERATION AND CLARIFICATION

Pursuant to the September 20, 1996 Report and Order in this proceeding ("Order") and Section 1.429 of the Commission's Rules, AT&T Corp. ("AT&T") hereby opposes and comments upon the petitions for reconsideration and clarification which were filed on October 21, 1996.[1]

1 A list of the parties filing petitions for reconsideration and/or clarification and the abbreviations used to refer to each is appended as Attachment 1. References herein to a specific petition include the name of the petitioner and a page number. References to comments and replies filed in this docket include the name of the commenter followed by the word "Comments" or "Reply" as appropriate.

I. The Commission Must Grant the Petitions for Reconsideration Regarding the Interim Compensation Payment Obligation, Because the Exclusion of LECs and Smaller IXCs is Contrary to the Statute and Inconsistent with the Order's Express Conclusions.

Several petitioners show that the interim compensation rules must be reconsidered because they are directly inconsistent with Section 276, contrary to the Order's own analysis and discriminatory against larger IXCs.[2] As LDDS (p. 6) states, the Order itself (¶ 87) expressly holds that "exemptions [for carriers] from the obligation to pay compensation, even on an interim basis, would be contrary to the congressional mandate that we ensure fair compensation for 'each and every completed interstate and intrastate call'" (emphasis added). Nevertheless, the Order inexplicably excuses LECs and smaller IXCs from participating in the payment of interim compensation and requires larger IXCs -- and their customers -- to bear a disproportionately large share of the burden of payphone compensation. There is no basis for this departure from the Order's correct interpretation of the statute. Accordingly, the Commission must reconsider the interim payment rules and require that all carriers that receive interstate or intrastate (including intraLATA) 800 subscriber or access code calls participate in the interim compensation process.

II. The Commission Must Grant the Petitions Which Seek Reconsideration of the Use of "Market-Based" Local Coin Rates as a Surrogate for Per-Call Compensation and Adopt a Compensation Rate No Higher than PSPs' TSLRIC-Based Costs.

The Order (¶ 70) -- without any review of its financial impacts -- concludes that "market-based" local coin rates are an appropriate surrogate for per-call compensation. The

[2] CWI, pp. 10-13; LDDS, pp. 4-7; MCI, p. 22; Sprint, pp. 8-10. See also AT&T, pp. 15-18.

petitions, however, clearly show that the payphone compensation amounts required by the Order are unjustifiable and excessive, and that they will lead to radical increases in carriers' costs and consumers' prices. Accordingly, many petitioners seek reconsideration of the decision to link payphone compensation with "market-based" local coin rates.[3]

AT&T strongly supports these petitions, because they show that there is no rational basis to conclude that "market-based" local coin rates are a surrogate for payphone compensation. Specifically, the petitions demonstrate that it is undisputed that (i) there is no current "market" for local coin calls; (ii) local coin calls are an excessive measure of per-call compensation; and (iii) implementation of the Order's permanent rules will lead to significant abuses against consumers and carriers and make it impossible for carriers to verify the costs of per-call compensation. Accordingly, the Commission must reconsider and reject the use of local coin rates as a surrogate and adopt a "fair" compensation rate that is no higher than PSPs' total service long-run incremental ("TSLRIC")-based costs.

Except for the PSPs -- who will reap a windfall if the Order's current rules are implemented -- the petitions unanimously demonstrate that the Order rests on a palpably false premise. As California (p. 4) states, "there is no showing that market forces can develop fair and reasonable rates" for local coin calls. Indeed, the petitions show that the record -- and actual experience -- prove that the current marketplace cannot develop such rates.

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3 E.g., CWI, pp. 5-6; CompTel, pp. 8-10; LDDS, p. 8; MCI, pp. 10-13; PageNet, p. 11. See also AT&T, pp. 5-13.

For example, Consumers Union (p. 3) recognizes that "the payphone market is not competitive for the end user," because the only competition in payphones "is for location." NYDPS (p. 9) echoes this conclusion and states that the "situational monopolies" of location owners and PSPs make payphone users "'captive' consumer[s]."[4] PUCO (p. 5) recognizes that, from an end-user's perspective, "the payphone marketplace is inherently dysfunctional," and D.C. People's Counsel (pp. 7-9) notes that Bell Atlantic agreed to a settlement on August 30, 1996, which classifies its local coin services as "basic" rather than "competitive."[5] Moreover, there is no credible evidence that there is in fact a competitive market for local coin services.[6] Thus, there is no record support for the Order's assumption that there are -- or could reasonably be -- "market-based" local coin rates.[7]

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4 See also Maine, et al., p. 11 ("virtually any payphone is a 'mini-monopoly"). Even Ameritech (pp. 2-3) recognizes that there will be "locational monopolies" based on exclusive placement contracts between PSPs and location owners. Moreover, contrary to the Order's assumption, PUCs are powerless to deal with these situations (see Maine et al., p. 14; Oklahoma, p. 3; Texas, p. 5).

5 See also Texas PUC, p. 4; AT&T, pp. 11-12; CWI, p. 6; LDDS, p. 10; MCI, p 12; Sprint, p. 4.

6 Even PUC commenters dispute the Order's reference to a "market" rate from four rural states as reasonable proof that a market exists (see California, p. 4 ("a limited sampling of four states should not be translated into national policy"); NYDPS, pp. 7-8 (the identified states "are hardly representative of the nation's payphone market as a whole")). See also MCI, p. 15; AT&T, pp. 10-11.

7 Several PUCs (e.g., Maine et al., pp. 16-17; NYDPS, p. 2) also raise the procedural question of whether there was adequate notice under the Administrative Procedure Act concerning the decision to require states to deregulate local coin rates. Irrespective of the merits of this issue, the possibility of a future reversal and remand on this basis also argues in favor of abandoning a local coin rate-based approach and adopting a cost-based compensation system, as the Commission proposed in its Notice (see Notice, ¶ 38; Order, ¶ 24).

Even if a "market" for local coin services were possible (and it is not under current conditions), the petitions also show that the use of a market-based local coin rate necessarily results in excessive per-call compensation. In particular, it is undisputed that the costs of local coin calls are greater than the costs incurred in making a payphone available for an 800 subscriber or access code call.[8] Indeed, APCC's Comments validate this fact.[9]

However, the most telling proof that use of a "market-based" local coin rate will result in excessive compensation is the RBOCs' eagerness to make themselves eligible for the $45.85 per line interim compensation even before the April 15, 1997 date established in the Order.[10] Ameritech is obviously interested in eliminating its current $.245 carrier access charge in favor of interim compensation that is based on a $.35 rate.[11] The other RBOCs are also anxious to cash in as early as possible on the payphone compensation bonanza. This too is understandable, because they have acknowledged that the fully allocated (not TSLRIC) costs of providing all calls from their phones -- the vast majority of which are local coin calls -- is significantly less than $.35.[12]

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8 See, e.g., Sprint, p. 3; CompTel, pp. 8-9; AT&T, pp. 9-10; MCI, pp. 12-13.

9 APCC Comments, n.15 ("[a]rguably, the local coin rate should be higher than the rate for a non-sent paid call because of the usage and coin collection costs typically associated with local coin calling") (emphasis in original).

10 See Ameritech, pp. 4-9; BellSouth, pp. 4-5; RBOC Coalition, pp. 1-3.

11 Ameritech (id.) states that it included the costs of its payphone loops in calculating the $.245 charge, and that as a result, it intends to amend its access tariffs to restore the payphone loop costs to its general access charges. Accordingly, the $.245 figure (which is not a TSLRIC-based calculation) must actually overstate Ameritech's costs.

12 See RBOC Coalition Comments, n.15; AT&T Reply, pp. 4-6.

Further, the petitions show that the final per-call compensation rules, which set the default compensation rate in an amount "equal to the local coin rate at the payphone in question" will lead to "strategic" pricing by PSPs and will make it impossible for carriers to verify the amount of per-call compensation they may owe. As CWI (p. 6) states, "[b]ecause the local coin rate also acts as a hidden surcharge for access code and toll-free calls . . . [a PSP] might choose to set local coin rates to maximize its surcharge revenues. . . . CWI would expect that locations with high volumes of access code or toll-free calls but low volumes of local coin calls will select a local coin rate of $1 or more per call."[13] Such actions serve only PSPs and the location owners with whom they would share their windfall, but not carriers or consumers.

In addition, setting the default rate based on the local coin rate at specific payphones creates an administrative nightmare. As Sprint (pp. 11-13) recognizes, this causes administrative complexities and adds to the cost of calculating carrier payments, because the compensation rate could vary from phone to phone, from tracking period to tracking period, and even within tracking periods. Moreover, carriers will have no effective way to verify whether the rate information they receive from PSPs is accurate, making the entire system vulnerable to significant abuses, including substantial opportunities for fraud.[14] Thus, pegging per-call compensation to a variable local coin rate meets none of the Commission's objectives, and the petitioners correctly assert that such rules should be scrapped.

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13 See also LDDS, p. 9; AT&T, p. 14; CompTel, p. 10.

14 See also CompTel, pp. 10-11; AT&T, p. 15.

AT&T also supports those petitioners who request that the Commission replace the arbitrary local coin rate surrogate with a TSLRIC-based per-call compensation rate.[15] As CompTel (p. 7) and PageNet (pp. 6-8) show, the Commission has only recently held that a TSLRIC (or TELRIC)-based compensation rate is the proper way for carriers to establish a compensation system, because "[e]conomists generally agree that prices based on forward-looking long-run economic costs give appropriate signals to producers and consumers."[16] The Order makes no effort at all to explain why such a methodology -- which the Commission held "replicates, to the extent possible, the conditions of a competitive market"[17] -- should not be applied here. Accordingly, the Commission should reconsider the Order's unsupported decision to base per-call compensation on an exorbitant and non-existent "market" rate for local coin calls and adopt a cost-based system, as it proposed to do in its Notice.

15 Some petitioners correctly note that the Commission's analysis ignores the fact that PSPs receive substantially above-cost revenues, such as commissions from presubscribed carriers, and argue that the Commission should take those revenues into account in determining a "fair" level of compensation (see e.g., Sprint, pp. 5-6). Thus, a TSLRIC-based compensation rate is the highest reasonable rate for per-call compensation.

16 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Notice of Proposed Rulemaking, FCC 96-182, released April 19, 1996.

17 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, First Report and Order, FCC 96-325, released August 8, 1996, ¶ 679.

III. If the Commission Eschews a TSLRIC-Based Approach to Per-Call Compensation, It Must Reconsider and Abandon the "Carrier Pays" Requirement.

Several petitioners urge the Commission to reconsider and reject the "carrier pays" system for per-call compensation.[18] If the Commission eschews a TSLRIC-based compensation system in favor of a "market-based" approach, it has no choice but to do so. As shown above, the record fails to support the Order's assumption that there is an end-user focused "market" for local coin calls, or for the use of payphones generally. The only way such a market could be created is by having consumers be directly responsible for paying PSPs for the use of payphone equipment. In contrast, the "carrier pays" system required by the Order hides the costs of payphone use from consumers and forecloses any possibility that an effective market "with a willing seller and a willing buyer at a price agreeable to both"[19] could develop.

As PageNet (p. 2) correctly states, the "primary economic beneficiary" of the use of a payphone is the PSP itself.[20] Thus, it is appropriate to make the PSP responsible to collect its own charges for payphone use. More fundamentally, however, AirTouch (pp. 11-12) shows that a carrier pays system "does not allow market forces to establish rates

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18 AirTouch, pp. 4-10; PageMart, pp. 2-3; PageNet, p. 2; PCIA, pp. 5-7. See also AT&T, pp. 18-21. AT&T opposes, however, the suggestion of some of these petitioners that IXCs should not be permitted to assess per-call charges to specific 800 subscribers if the Commission retains a "carrier pays" compensation system (see, e.g., PageNet, pp. 16-21). Under such a system, carriers are entitled to recover their costs in any lawful manner, especially one that recovers costs from the actual cost causers.

19 Order, ¶ 52.

20 See also AirTouch, p. 9.

and decreases incentives for PSPs to set competitive rates," because the compensation system established in the Order guarantees PSPs a minimum rate (the local coin rate) which is not based on market forces. A "coin in the box" system, in contrast, allows callers to determine whether the compensation requested by the PSP is reasonable and whether to place a call at that payphone.[21] Even though this system does not eliminate the "locational monopoly" associated with payphones, it gives callers the most information and bargaining power available. Thus, as APCC acknowledges, it is most economically efficient for PSPs to collect compensation directly.[22]

If the Commission declines to adopt a "coin in the box" approach, an alternative mechanism would be the payphone use charge proposed by Sprint.[23] Although it is less effective in providing real-time information to callers, such a system still provides callers and 800 subscribers with direct knowledge that they are assuming extra costs when they use (or accept calls from) payphones. Without such information, the Commission could not presume that there would ever be any effective market discipline on PSPs payphone use

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21 PageNet, p. 5.

22 See APCC Comments, p. 23 ("in principle" a direct charge on callers "would most effectively implement the Commission's policy of placing costs on the cost causer"). Such a charge would also provide PSPs with immediate payment, and it would not require the administrative costs of other collection and remittance mechanisms. In addition, Sprint (p. 14) notes that the carrier pays system inflates the taxable receipts of carriers, thus increasing their tax liabilities (and consumers' costs) without adding any benefit to PSPs. In contrast, a direct payment to PSPs affects only the receipts and taxes of the payphone providers.

23 For a fuller description of this alternative, see AT&T, pp. 19-20.

charges. Thus, a payphone use charge is also preferable to a carrier pays system in a "market-based" compensation process.[24]

IV. Issues Raised by PSPs

A. The RBOC Petitions

As noted above, the clearest proof that the Order's per-call compensation system creates a windfall for PSPs is the RBOCs' urgent desire to move to interim compensation even before the date established in the Order.[25] The RBOCs' requests should be denied. First, they generally fail to take account of the fact that the Order (¶ 186), consistent with the statute, requires LECs to remove all payphone subsidies, both interstate and intrastate, before they are eligible for any compensation. Thus, contrary to Ameritech's assumption (n.11), LECs must comply with the requirement of Section 276(a)(1) and remove all intrastate subsidies from both their exchange service operations and exchange access operations before

[24] In all events, MCI (p. 17) and Sprint (pp. 15- 17) correctly seek reconsideration of the requirement that "facilities-based" carriers should be responsible for paying per-call compensation on behalf of resellers. As Sprint (p. 15) notes, the Order provides no reasonable guarantee that the facilities-based carriers will be reimbursed. Moreover (id., p. 16), in many cases facilities-based carriers will not know whether calls over the reseller's network are completed. Thus, facilities-based carriers will not even know whether compensation is owed. Accordingly, AT&T supports MCI's position (p. 17) that facilities-based carriers should at most be required to pass information to resellers that would enable them to be responsible for their own per-call compensation obligations. See also AT&T, n.32. Similarly, facilities-based carriers should at most be required to pass information to international carriers that complete international toll-free calls which originate at U.S. payphones, because those international carriers have exclusive access to the necessary data concerning call completion, and they control the payments made (if any) to the U.S. facilities-based carrier (see MCI, p. 6).

[25] Ameritech, pp. 4-9; BellSouth, pp. 4-5; RBOC Coalition, pp. 1-3.

they receive per-call compensation.[26] Since all of these events should happen simultaneously, the Commission has appropriately scheduled April 15 as the completion date for all of these activities, which necessarily include state review of the LECs' claims that they have removed all intrastate subsidies (Order, ¶ 186). Moreover, January 15 is a reasonable date for the interstate tariff filings because the Commission has not even established final rules for this process.[27] Further, because the payphone cost-removal issues are novel, a 90-day tariff review period is necessary and appropriate, not the truncated 45-day period suggested by the RBOC Coalition (p. 3).[28]

In addition, the Commission should deny BellSouth's requests for clarification regarding "branding."[29] Neither BellSouth nor any other PSP should be allowed to "audibly brand" its payphones in a manner that might confuse consumers about the identity of the suppliers that are providing them with the different services offered at payphones. The

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26 Ameritech's "assumption" also ignores that its removal of interstate payphone costs was conducted pursuant to a Part 69 waiver, which did not require that payphone costs be deregulated or that the multiline SLC should apply to all payphone lines. Thus, Ameritech must complete all of the procedures that other LECs must follow pursuant to the Order.

27 See Part V. below.

28 AT&T also opposes Ameritech's (n.16) and BellSouth's (p. 5) request that RBOCs be permitted to recover per-call compensation for certain 0+ calls during the interim period in addition to the $45.85 already established by the Order. Even the other RBOCs have not had the temerity to ask for such compensation under the circumstances. In all events, there is no basis to require carriers and consumer to assume even higher cost burdens during that time.

29 See BellSouth, pp. 24-25.

concern is even greater with respect to BOC PSPs that may seek to "brand" their phones on interLATA calls prior to the time the BOC receives in-region interLATA relief pursuant to Section 271. Moreover, any PSP branding could increase the access time that must be paid for by carriers. In addition, BOC operators that provide operator services on behalf of other carriers should not be permitted to identify themselves as representatives of the BOC, because in those circumstances, they are acting as representatives of the other carrier. In order to avoid consumer confusion and dilution of the TOCSIA branding requirement imposed on the primary OSP, BOC operators should be required to identify themselves using the carrier's name.

AT&T supports the RBOC Coalition's request for clarification (p. 7) that PSPs must use payphone lines that provide appropriate ANI coding in order to be eligible for per-call compensation.[30] The RBOC Coalition (p. 7) shows that this is necessary for call tracking purposes, because "the only way LECs can provide payphones with appropriate coding digits within the ANIs is to require PSPs to use COCOT lines." Moreover, the use of a COCOT line is the only way a LEC can know that the payphone CPE is attached to the line. In addition, carriers need the ANI identification digits of payphones in order to help them prevent

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30 See also Sprint, p. 18; AT&T, p. 23. Moreover, as MCI (pp. 14, 19) explains, the Commission should expressly require that IPP payphones transmit the "70" information digit, which would specifically identify them as independent payphone lines, rather than the "07" digit, which merely identifies lines as "restricted" and includes non-payphone lines. Such information will also reduce disputes regarding IPPs' compensation claims and enhance carriers' ability to track and manage the collection of payphone-related charges.

fraudulent use of their services. Thus, no PSP should be permitted to assert that a phone attached to a non-payphone line is entitled to any type of per-call compensation.[31]

B. The IPP Petitions

The Order (¶ 261) properly concludes that Section 276(b)(1)(E) precludes a state from requiring that intraLATA calls be routed to the incumbent LEC ("ILEC"). However, it also concludes (¶ 262) that "it is not necessarily inconsistent" for a state to require that all 0- calls (which are intraLATA calls) be routed to the ILEC, as long as non-emergency calls are then forwarded to the OSP selected by the payphone provider. APCC (pp. 3-6) reasonably requests the Commission to reconsider the latter conclusion.

A state clearly has the right to assure that emergency calls are properly handled, but this does not require a conclusion that only one OSP is qualified to respond to such calls. The state's interest is fully met by requiring -- as most states do -- that 0- calls be sent only to OSPs that meet appropriate standards.[32] Failure to permit non-LEC OSPs to handle emergency calls places non-LEC PSPs at a substantial disadvantage, because all non-emergency 0- calls from non-LEC payphones -- which comprise the vast bulk of such calls -- would have to be "screened" by LEC operators, creating unnecessary delay and inconvenience for consumers and a degradation in service of the competitive OSP. Thus, the Commission

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31 AT&T also does not oppose the RBOC Coalition's request (pp. 7-8) that the MPOE standards must be reasonably flexible to accommodate payphone placements, as long as LECs apply the MPOE criteria in a non-discriminatory manner for all PSPs.

32 See APCC, p. 4 (majority of states permit routing to qualified OSPs).

should permit states to establish reasonable qualifications for OSPs, but it should not permit states to require that LEC operators must receive all 0- calls from payphones.

In contrast, AT&T strongly opposes APCC's request (p. 3) that carriers who block 800 subscriber calls be required to play an announcement for the benefit of PSPs. AT&T does not oppose a reasonable forward-looking cost-based compensation for PSPs, and it does not expect to block significant numbers of calls if compensation is limited to such an amount. Thus, if AT&T (or an 800 subscriber) does choose to block such calls, it will be because the PSP seeks to extract an excessive amounts for the "privilege" of allowing calls to be placed from its payphones. Under such circumstances, there is no reason to require carriers to spend development time -- and access dollars[33] -- to provide an announcement for the benefit of the PSP. In all events, PSPs have the ability to protect themselves by placing signs at their phones which inform consumers that "calls to some 800 numbers may be blocked at the request of the carrier or 800 subscriber," or a similar message. Such a remedy is substantially less expensive and should be satisfactory to protect a PSP's interests.

Finally, AT&T supports the general thrust of the NJPA's petition, i.e., that Section 276 forbids discrimination by a LEC between its own (or its affiliate's) PSP and independent PSPs ("IPPs"). Thus, AT&T specifically supports NJPA's request that LECs be required provide to IPPs the ability to obtain coin rating capabilities that enable an IPP to establish its own coin rates (NJPA, pp. 4--6), and the ability to obtain answer supervision

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[33] The use of such an announcement would require carriers to incur additional access charges every time the announcement is played.

separate from other services, as long as such capability is made available to the LEC's affiliate (id., pp. 7-8).[34] In addition, if a LEC offers network-based call tracking services[35] or installation and maintenance services to its PSP affiliate, it should make those services available to IPPs at comparable rates (id., pp. 9, 14).[36]

V. Access Charge Issues

USTA (pp. 2-4) suggests that some of the access-related instructions in the Order are unclear and others are incorrect. Thus, it requests that the Commission clarify that payphone line costs contained in Section 69.501(d) should be removed from the payphone allocator and that the Commission provide guidance on adjustments needed to reflect the prior removal of inmate payphone sets. USTA also requests that the Commission acknowledge that

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34 Unbundled answer supervision is technically feasible and offered by numerous LECs. It is sometimes provided to IPPs under the name of "line side supervision."

35 Network-based call tracking services should also be offered on a non-discriminatory basis to carriers who wish to use LEC tracking capabilities in lieu of (or in addition to) their own capabilities, or those of third parties.

36 WPTA's petition should be rejected in its entirety. The assertion (p. 11) that PSPs should receive \$1.50 (or \$.90) per call is unsupported by any evidence that has not already been properly rejected in the Order. Moreover, WPTA's request (p. 11) for a two-track compensation system during the interim period is unnecessarily complex and unworkable. Further, WPTA's request (p. 13) that the Commission mandate the adoption of a monthly payment system would triple the administrative burdens of carriers (and of LECs that must provide end-of-period lists of eligible payphones) and substantially increase costs associated with line verification, per-call message volume tracking, PSP payment processing costs and dispute resolution. AT&T expects that this would result in a doubling of its administrative costs. Finally, the petition (pp. 14-15) completely misunderstands the relationship between Subscriber Line Charges and the removal of access subsidies. Thus, WPTA's request for reconsideration of those issues must be denied.

the application of a multiline SLC will reduce the common carrier line rate and that it adopt USTA's proposal for implementing that reduction. Finally, USTA asks the Commission to clarify that Section 61.45(d)(1)(v) applies to the removal of LEC regulated payphone costs.

AT&T believes that the intent of the Order is very clear, and that LEC payphone line costs included in 69.501(d) should remain as part of the LECs' regulated operations. Therefore, if any LECs propose to reduce their Part 69.501(d) revenue requirement to account for the removal of any line-related costs from that part, they must provide complete details, including references to parts 32, 36 and 69 in addition to their associated ARMIS-reported line items.

AT&T also agrees that the Commission should be cognizant of the potential for double-counting the impact of the recent LEC pay telephone filings. However, USTA's suggested methodology would not achieve the desired results.[37] Those results can be achieved by simply clarifying that the payphone allocator and PCI referenced in paragraph 185 of the Order are the allocator and PCI that existed prior to implementation of the inmate payphone order.[38] This method will produce the exact result that USTA seeks.

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[37] USTA (p. 2) suggests that the appropriate method "is equivalent to multiplying the PCI in effect prior to the inmate payphone cost removal by one minus the payphone cost allocator."

[38] Petition for Declaratory Ruling by the Inmate Calling Services Providers Task Force, Declaratory Ruling, FCC 96-34, released February 20, 1996. Alternatively, LECs could comply with paragraph 185 of the Order by adjusting their current (i.e., post-inmate payphone-adjusted) PCI and rate caps by adding a positive exogenous cost to the current PCI that is equal to the negative exogenous cost amount used in their inmate filing. No change in the payphone allocator would be required.

USTA's proposed evaluation of the base period compared to the proposed SLC revenue is also unclear. Any proposed method that resets the base period revenue will potentially miscalculate the change in SLC revenue and concomitant CCL reduction. Instead, the Commission should require LECs to hold the base period constant and have the change in SLC revenue identified as a change to the base period revenue.[39]

Finally, USTA incorrectly asks the Commission to rule that exogenous cost changes that occur as a result of the deregulation of payphone costs should be handled under Part 64.45(d)(1)(iv). USTA offers no justification for treating payphone-related costs pursuant to rules that relate to tax and other extraordinary cost changes. The Order correctly found that the reclassification of payphone costs falls squarely under Part 61.45(d)(1)(v).

Respectfully submitted,

AT&T CORP.

By____________________

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October 28, 1996

[39] See also AT&T, p. 24.

List of Petitioners
CC Docket No. 96-128

AirTouch Paging ("AirTouch")

American Public Communications Council ("APCC")

Ameritech

BellSouth Corporation ("BellSouth")

Cable & Wireless, Inc. ("CWI")

People of the State of California and California Public Utilities Commission ("California")

Competitive Telecommunications Association ("CompTel")

Consumers Union, Center for Economic Justice, Public Citizen, Texas, and Texas Citizen Action ("Consumers Union")

Office of the People's Counsel for the District of Columbia ("D.C. People's Counsel")

Inmate Calling Services Providers Coalition

Invision Telecom, Inc.

MCI Telecommunications Corporation ("MCI")

Maine Public Utilities Commission, Vermont Public Service Board, Commonwealth of Virginia, Alabama Public Service Commission, District of Columbia Public Service Commission, Maryland Public Service Commission, Montana Public Service Commission ("Maine, et al.")

National Telephone Cooperative Association ("NCTA")

New Jersey Payphone Association ("NJPA")

New York State Department of Public Service ("NYDPS")

Public Utilities Commission of Ohio ("PUCO")

Oklahoma Corporation Commission ("Oklahoma")

PageMart II, Inc. ("PageMart")

Paging Network ("PageNet")

Personal Communications Industry Association ("PCIA")

RBOC Payphone Coalition ("RBOC Coalition")

Southwestern Bell Telephone Company

Sprint Corporation ("Sprint")

Public Utility Commission of Texas ("Texas")

United States Telephone Association ("USTA")

Wisconsin Pay Telephone Association, Inc. ("WPTA")

LDDS WorldCom ("LDDS")

<u>Certificate of Service</u>

I, Diane Danyo, do hereby certify that on this 28th day of October, 1996, a copy of the foregoing "AT&T OPPOSITION TO AND COMMENTS ON PETITIONS FOR RECONSIDERATION AND CLARIFICATION" of AT&T Corp. was mailed by U.S. first class mail, postage prepaid, to the parties listed on the attached Service List.

Diane Danyo

Diane Danyo